

# Los Angeles Empowerment Zone Oversight Committee

"Building Communities Together"

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Date: June 27, 2003

To: Congresswoman Maxine Waters

From: **Empowerment Zone Oversight Committee (EZOC)**  
Cheryl Branch, Chair, CD 9

## **EZOC TESTIMONY ON CITY OF LOS ANGELES COMMUNITY DEVELOPMENT BANK CONTRIBUTION TO COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM IN LOS ANGELES AREA**

### **SUMMARY**

In 1994, the City was awarded a Supplemental Empowerment Zone by federal the government. The 19-square mile geographic area includes communities such as Pacoima, Boyle Heights, the East Downtown Corridor, the Historic Corridor, Central Avenue, the Slauson Industrial Corridor, the Broadway District, Watts, Firestone and Willowbrook. Through the Empowerment Zone Oversight Committee-- a 12 member appointed community stakeholder group-- public, private non-profit and community-based agencies, and residents have been working together to revitalize the local economy and provide jobs and safe a living environment.

As required by federal regulations, the Los Angeles Empowerment Zone Oversight Committee was established to further foster the partnerships between the public sector, private sector, and neighborhood residents and groups. The EZOC provides a forum for everyone with a stake in the community to come forward and participate in the planning and implementation of activities in the Zone that will contribute to growth and economic development. In order to carry out its mission it was necessary for the Los Angeles City Council in January 1997 to instruct the Community Development Department to identify a source of funds (CDBG) for the LA EZOC's budget of approximately \$144,595.00. Since that time the EZOC has completed the following CDBG eligible activities in the Zone on behalf of Zone residents:

- Approved over \$100 million in requests for federal funds by public and private entities operating in the Zone or serving Zone residents/families (approximately \$60 million has been secured through December 2002)
- Provided technical assistance and capacity building training for 200 private non-profit agencies or 1000 individuals in the Zone
- Provided ongoing staff support to youth employment programs and afterschool program (Kulick Project/YO! Watts and Youthbuild) for youth in the Zone
- Secured \$100,000 in Workforce Investment Act funds from City Community Development Department for EZOC Empowerment Zone Employer and Resident Needs Assessment to be completed in May 2004.

The EZOC believes the Los Angeles Community Development Bank was a grand experiment with great intentions and highly anticipated outcomes, but the community continues to be alienated and our employment needs unmet. The jobs requirement attached to the LA CDB's lending was not met. Therefore, the bank, City and County failed in this area. As far as the EZOC knows the City has not addressed this failure in its transition plan to close the bank. Neither has anyone provided EZOC the current value of a job created by the bank's lending activities or the City transition plan for remaining funds. In January 2002, EZOC initiated a process to work with CDD ICD Director, Jasper Williams, WDD Director Ann Giagni and affected City Council members Ed Reyes, Jan Perry and Janice Hahn, to design and implement a community plan for jobs, employer support and technical training as part of transition plan for remaining Section 108 HUD Authority funds and the Community Development Bank. This report will be complete in May 2004.

The LA CDB, City and County did not act in good faith. They created a bank that was unable to serve businesses in the Zone. It is widely written and publicized that after the economy changed in 1998, 60% of businesses in the Zone needing loans to expand or stay in the City had needs far beyond capital (i.e. advertising, equipment, pricing, insurance, taxes, bookkeeping). After 1998 many businesses originally targeted by LA CDB could obtain loans from conventional banks on their own. Only business with substantial needs beyond capital remained after 1998. The private banks originally slated to partner with us backed out and never provided the private investment promised to make this plan work ---partly because they could lend to the customer directly and partly because its tough doing business with the City and County. Finally, the bank could not address other needs of small businesses due to strict HUD guidelines on use of LA CDB funds. The result was the very vehicle created to provide badly needed capital to Zone businesses and revitalize the community failed to produce causing the job creation and linkage plan to fail.

The emerging employment needs of residents in the Empowerment Zone and particularly the 35th Congressional District are comprehensive and diverse. In my experience the areas that would greatly benefit EZ residents as it relates to CDBG funding and the LA CDB is to create The Los Angeles Empowerment Zone Job Creation, Training and Technical Assistance Center which would house both assistance for Zone residents to access employment and training and provide technical support to employers and small businesses to utilize Federal Empowerment Zone, State Enterprise Zone and Renewal Communities' tax credits, employer wage credits and other incentives for relocating or expanding business and economic development in the Zone. The Center would aid community organizations and small businesses in the development of planning, goal setting and techniques of coalition building for economic development, employment and planning. It would supplement other CDBG funded capacity building projects, which were designed to assist local community development corporations in underserved areas (i.e. EZ, EC, RC), and training programs for community-based developers of inner-city commercial/industrial real estate developments. Business planning and management concepts would also be incorporated.

The EZOC further recommends that the City include in its plan to reallocate the remaining City Section 108 loan guarantee authority (approximately \$196 million) currently allocated to the Los Angeles Community Development Bank (LA CDB) according to the use described below:

- Authorize the General Manager of CDD or designee to work with the Empowerment Zone Oversight Committee and other entities to amend the Empowerment Zone Strategic Plan, City's Consolidated Plan and other required documents to enable the Section 108 loan guarantee authority to be used in a manner consistent with the job creation and linkage activities described in the original Empowerment Zone Application and for the creation of the Empowerment Zone Job Creation and Training Center to accomplish this requirement.
- \$50 million (equivalent to about 1400 jobs @ \$35,000 for one job) will be used for broader CDBG eligible purposes as determined by the EZOC Needs Assessment than those originally intended for this funding (i.e. acquisition, rehabilitation, technology, equipment, operations). Without the jobs promised by the LACDB, City and the County, we the EZOC make this recommendation as part of our stakeholder interest. This recommendation is consistent and complimentary to the City's plan to address the partial failure of the bank and its inability to prudently loan these funds and fulfill job creation and placement requirements as provided for in the Cooperative Agreement with the City, County and HUD.

## **BACKGROUND**

Los Angeles is quite fortunate to have the staff, consultants, elected officials and appointed committees, who have demonstrated their commitment to the implementation of the Los Angeles Empowerment Zone and the Los Angeles Community Development Bank. Commitment is not enough. As the safe-keepers of the future of communities and the residents, we must give our greatest care and thought to the implementation of programs, projects, business incentives, etc. These communities cannot be viewed only as potential income generating sites for private industry; to succeed the residents must develop a sense of ownership which can be achieved if they are considered and participate in every aspect of the process.

The EZOC takes its responsibility seriously. We fully recognize the impact our actions may have on the lives of many residents of Los Angeles, most of whom are poor and have had no voice. The committee understands that community empowerment means access to, partial control of and full participation in, the assets and jobs resultant from empowerment zone legislation.

The public agencies, elected officials and our committee, must agree to relinquish some of the control. We must agree to a business and philosophical approach that leaves the community whole. We deprive empowerment to the poor communities of Los Angeles, if we do not include the residents in every aspect of the community revitalization and rebirth: from planning to implementation with employment as a primary factor.

**RECOMMENDATIONS:**

EZOC recommends the following criteria be applied for all remaining activities for Section 108 funds including any portion of the funds that are reprogrammed for CDBG objectives or uses in the Zone or other areas not yet determined:

1. Empowerment Zone residents must have access to at least 51% of all jobs resulting from loans made or any economic development activity with remaining LACDB Section 108 funds in the Zone and/or in the buffer areas or other low moderate-income areas.
2. \$50 million to create LA Empowerment Zone Job Creation and Training Center hub and 4 satellite sites according to EZ Employer and Resident Needs Assessment commissioned by the City and EZOC June 2003. This study and recommendations will be complete in May 2004.
3. EZ residents must be trained in the areas where they are deficient, providing incentives to education in semi professional careers.
4. EZOC consideration and review of the cumulative effects on ecological and environmental impact as projects are considered and approved in the target areas.
5. Innovative approaches and opportunities must be developed to retain residents as they stabilize, economically and socially.
6. Support the creation of moderate income housing within the Zone and buffer areas.
7. Whenever possible, headquarters of businesses should be located in the community, utilizing local services and suppliers.
8. Identification of environmental and societal effects, on the educational process for all school age children, must be initiated to reduce: dropout rates, gang involvement, public health emergencies, homelessness, underachievement, transfer to continued or home study, disrespect, intolerance and despair in the target areas.

In conclusion, the City, County, LA CDB and EZOC should consider job training and employer education and technical support as part of its responsibility to the job creation requirement at this time of transition and closure of the LACDB.

For more information, contact Cheryl Branch, Chair EZOC at 213-553-1870 or email [cherylbranch@aol.com](mailto:cherylbranch@aol.com).